

# **EXHIBIT 3**

**From:** Petts, Nicholas W. <nicholas.petts@dentons.com>  
**Sent:** Tuesday, August 17, 2021 8:16 PM  
**To:** landsmanr@sec.gov; hitchinsk@sec.gov  
**Cc:** Senderowitz, Stephen J. <stephen.senderowitz@dentons.com>; Henkin, Douglas W. <douglas.henkin@dentons.com>; Wallstein, Adam J. <adam.wallstein@dentons.com>  
**Subject:** In the Matter of Mirror Protocol, HO-14164

Roger and Kathleen,

Please find attached Terraform Labs' response letter in connection with the above-referenced matter.

Regards,

Nick



Nicholas W. Petts

Senior Managing Associate

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[nicholas.petts@dentons.com](mailto:nicholas.petts@dentons.com)

[Bio](#) | [Website](#)

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***VIA ELECTRONIC MAIL***

August 17, 2021

Kathleen Hitchens  
Roger Landsman  
Division of Enforcement  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: In the Matter of Mirror Protocol, HO-14164

Dear Ms. Hitchens and Mr. Landsman:

As we discussed during our conversation on July 28, 2021, although Terraform Labs (“Terraform”) desires to continue its voluntary cooperation in connection with the Commission’s investigation, the document request the Commission issued is perplexing, especially in light of the extensive voluntary interview you conducted with Do Kwon.

It appeared to us that the requests were unclear, overbroad, sought information not relevant to the Commission’s inquiry, sought production of publicly available data, or sought information Terraform does not possess. As we also noted, the document requests’ definition of “Mirror” was confusing and overbroad as well, which makes it difficult to understand some of the requests.

Finally, we indicated that it is important for the Commission to advise us of (1) its intentions related to Terraform’s status in the investigation, (2) its intentions relating to the Mirror Protocol, and whether (3) the Commission is seeking a specific goal with respect to the operation of the Mirror Protocol (so that Terraform can evaluate whether it might be able to assist the Commission in a cost-efficient and satisfactory resolution of the matter).

Although the Commission has not responded to (1)-(3), you asked Terraform to put its responses in writing to the specific requests. What follows is an outline of those responses (Terraform reserves the right to amend or supplement these responses):

#### Requests 1-4

1. Documents sufficient to identify all investors, owners or beneficial interest holders in Mirror, including but not limited to:
  - a. Date of investments;
  - b. Amount of investment (by US dollar equivalent, and digital asset amount, if applicable);
2. All presentations by Terra to investors or potential investors in Mirror.
3. All Communications with investors or potential investors in Mirror Concerning Mirror.
4. Copies of all Agreements between Terra and third parties regarding the sale or transfer of Mirror Assets.

#### Response:

To the extent these Requests seek information about investors in the Mirror Protocol, Terraform is unaware of any such investors. More specifically in connection with what appears to be a perception the Commission has of “investors” in Mirror Protocol – we are informed that there was no “presale” of premixed MIR tokens.

Further answering and as covered in the Do Kwon interview, we are informed that Terraform received money from a small number of entities, including Arrington XRP, to deploy that capital to farm MIR tokens. This was mainly a convenience function to help those entities earn MIR tokens without having to set up bots/infrastructure to be able to do so. Terraform received roughly US\$3-4 million in total from these entities, but spent significantly more in its farming operations.

Although a list of participants in the farming arrangement can be theoretically created, we are informed that there is a confidentiality clause in the applicable agreements which Terraform Labs PTE Ltd. (a Singapore company) is not able to break unless compelled to do so by Singaporean law enforcement.

#### Request 5

Documents sufficient to show each unique marketing Document Concerning Mirror or Mirror Assets, including but not limited to press releases, blog posts, videos and advertisements.

Response:

Terraform does not believe there are responsive documents.

Request 6

Any code Concerning the Mirror Protocol, or memorialization of the code, including but not limited to user or operating manuals, brochures or electronic text, journals, change logs. The request includes, but is not limited to, any code or memorialization for:

- a. All smart contracts;
- b. All automated market makers;
- c. All minting of tokens;
- d. All staking of LP or MIR tokens; and
- e. Any oracle.

Response:

The code is publicly available. Using Github the Commission can review the relevant code and its revision history (proposed changes, commits, forks, etc.).

Request 7

All audits of the Mirror Protocol code.

Response:

Assuming the Commission means third party security audits, these are also publicly available on the relevant sites.

Request 8

Descriptions, charts, diagrams or Documents sufficient to identify the software and technology-related services and products that Mirror uses to develop, operate, and maintain Mirror, including programming software, smart contract programming, testing, and deployment, digital asset wallets.

Response:

Although this question is not well-formed, Terraform refers to the information publicly available on the Github public repository. To the extent the Request seeks information about any private or otherwise non-public source code, we are informed that to the best of Terraform's knowledge,

information, and belief all production code relating to the Mirror Protocol is open source and public (i.e., there are no private repositories).

#### Request 9

All current or previous governance proposals proposed by Terra, voted for by Terra, or endorsed by Terra

#### Response:

We are informed that Terraform does not possess documents responsive to this Request and that, to the best of its knowledge, information, and belief Terraform made no governance proposals.

#### Request 10

Documents sufficient to identify all current or future projects, initiatives or upgrades for the Mirror Protocol.

#### Response:

We are informed that now that the Mirror Protocol is operating autonomously, Terraform is not responsible for anything covered by this Request. To the extent this Request is asking about the community's proposals or plans, to the extent any have been proposed those are all publicly available on the governance page. To the extent community members have other proposals, we are informed that Terraform has no way to know that until they are proposed pursuant to the protocol governance system (the description of which can be reviewed in the specifications maintained on Github).

#### Request 11

A written description or Documents sufficient to show the mechanism by which rewards or MIR tokens are allocated and communicated to staking users.

#### Response:

See Response to Request 6.

#### Request 12

Documents sufficient to identify, or a list of, all Assets currently or previously minted by Mirror.

Response:

Further investigation is needed to respond to this Request. Terraform needs additional time to determine if there are documents it possesses responsive to this Request.

Request 13

Documents sufficient to identify all fees received by Mirror from the Mirror Protocol.

Response:

We are informed that Terraform has no responsive documents.

Request 14

Documents sufficient to identify all fees received by Terra from Mirror or the Mirror Protocol.

Response:

We are informed that Terraform has no responsive documents.

Request 15

Documents sufficient to identify the distribution of any revenue or income generated through the Mirror Protocol, including, but not limited to, staking rewards and LP.

Response:

This Request is unclear. Based on our attempt to understand the definition of “Mirror,” we are informed that Terraform has no responsive documents.

Request 16

All Documents Concerning arbitrage of mAssets.

Response:

This Request appears to be based on a misunderstanding by the Commission of Do Kwon’s description during his interview of the smart contracts’ built-in collateral management functions, which we are informed are fully described in the publicly available documents such as those responsive to Request 6. We are informed that Terraform itself does not arbitrage or trade mAssets.

Request 17

Documents sufficient to identify whether Mirror Protocol uses any services related to investment income or revenue or rewards to third parties for any kind of token.

Response:

We are informed that Terraform is not involved in such activity and is unaware of how third parties act in this regard.

Request 18

All organizational charts for personnel and corporate structure for Mirror and Terra.

Response:

To the extent the Request seeks voluntary production of organizational charts of Terraform and any related entities the Request is refused. To the extent the Request seeks organizational charts of “Mirror” the Request is not understandable.

Request 19

All Communications Concerning Mirror on Discord, Telegram and Github.

Response:

The Request is overly burdensome. We are informed that the information sought is all publicly accessible.

As stated previously, Terraform desires to cooperate with the Commission on a voluntary basis, to provide information reasonably related to the Commission’s inquiry that Terraform has in its possession and identify public sources to which it can direct the Commission’s attention. We look forward to continued communications with you.

Very truly yours,

Dentons US LLP

/s/ Stephen J. Senderowitz

Stephen J. Senderowitz

On behalf of Terraform Labs